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Scotia Covenants annual report 1976

Scotia Covenants Limited
Central Covenants Limited

Grow with Us



Scotia Covenants is a mortgage-lending company that is sponsored and owned by The Bank of Nova Scotia and several large Canadian corporations, all of which are represented on the Board of Directors. It is regulated and supervised by the Federal Department of Insurance under the Investment Companies Act of Canada.

Mortgages are made on residential, commercial and industrial properties throughout Canada by Central Covenants Limited, a wholly owned subsidiary. The Mortgage Insurance Company of Canada has insured 84% of the mortgage loans and Central Mortgage and Housing Corporation has insured 16% of the mortgage loans.

Scotia Covenants issues short term promissory notes and term notes at attractive interest rates. The short term notes have a term of 1 to 365 days and a minimum amount of \$50,000. The term notes have a term of 1 to 10 years and a minimum amount of \$1,000.

Interest on short term notes is paid at maturity and on term notes on one of the following bases:

- semi-annually on March 31 and September 30
- on maturity with interest compounded semi-annually
- monthly at $\frac{1}{4}$ of 1% less than the current rate, minimum amount \$5,000.

The notes are direct senior obligations of the Company and qualify as authorized investments for insurance companies, loan and trust companies and pension funds. They represent a prime investment for individuals and corporations.



Scotia Covenants Limited

Financial Highlights

Scotia Covenants Limited

Directors

R. T. M. ALLAN
Associate Treasurer
Sun Life Assurance Company
of Canada
Montreal, Quebec

T. R. ALTON
President and General Manager
Scotia Covenants Limited
Toronto, Ontario

G. R. BLAKE
Vice-President and Treasurer
The Equitable Life Insurance
Company of Canada
Waterloo, Ontario

W. E. BAILEY
General Manager, Canadian
Operations
The Bank of Nova Scotia
Toronto, Ontario

J. E. BROOKES
Vice-Chairman
Greenfields Incorporated
Montreal, Quebec

D. H. COCHRANE
Vice-President, Administration
and General Manager
The Eastern Canada Savings and
Loan Company
Halifax, Nova Scotia

M. T. GERECKE
Company Director, formerly
Financial Vice-President,
Real Estate
The Canada Life Assurance
Company
Toronto, Ontario

R. E. WAUGH
Supervisor, Investments
The Bank of Nova Scotia
Toronto, Ontario

D. M. HAINES
Assistant Vice-President,
Property Investments
Confederation Life Insurance
Company
Toronto, Ontario

G. C. HITCHMAN
Deputy Chairman
The Bank of Nova Scotia
Toronto, Ontario

R. M. MacINTOSH
Executive Vice-President
The Bank of Nova Scotia
Toronto, Ontario

R. L. MASON
Assistant General Manager,
Investments
The Bank of Nova Scotia
Toronto, Ontario

J. H. McMEEKIN
Treasurer
The Imperial Life Assurance
Company of Canada
Toronto, Ontario

L. D. McMURRAY
President
Investors Syndicate Realty Limited
Winnipeg, Manitoba

P. E. REINHARDT
Vice-President, Finance
Industrial Life Insurance Company
Quebec City, Quebec

T. F. D. SIMMONS
Treasurer
Alcan Aluminium Limited
Montreal, Quebec

To the Shareholders:

For the six months ended April 30, 1976, net earnings of Scotia Covenants increased 29% to \$1.26 a share from 98¢ a share in the corresponding period of 1975. The per share calculations are based on an average of 478,133 shares in 1976 as compared with 384,406 in 1975.

Mortgage assets during the past year increased \$47 million or 34% to a total of \$185 million. The Company experienced a strong demand for mortgage funds with mortgage loan approvals increasing 39% in the first half of 1976 compared with the first half of 1975. Scotia Covenants continues to have a strong commitment for financing single-family homes and condominiums with 89% of loan approvals for the first half in this category.

Interest rates during the year have remained relatively stable as compared with 1974 and 1975 thus contributing to the stabilization of the Company's interest spreads and profits. The outlook is for a relatively stable interest rate climate in Canada and accordingly favourable for the Company.

T. R. ALTON
President

June 21, 1976

Officers

R. M. MacINTOSH
Chairman of the Board

G. C. HITCHMAN
Deputy Chairman of the Board

T. R. ALTON
President and General Manager

M. A. SIMOURD
Assistant Treasurer

J. P. McAVOY
Vice-President

R. C. BROWN
Secretary

F. KOZYSTKO
Assistant Secretary

1975	
313,670	
581,220	
382,500	
349,950	
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512,337	
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341,068	
193,599	



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Scotia Covenants Limited

Consolidated Balance Sheet as at April 30, 1976

	1976	1975
Assets		
Cash.....	\$ 85,207	\$ 92,663
Short-term investments – at cost plus accrued interest.....	850,464	2,499,205
Insured mortgage loans – at amortized cost plus interest due and accrued.....	185,191,283	138,473,386
Lease receivable.....	382,979	494,453
Deferred charges –		
Unamortized debt discount and expense.....	1,057,826	685,697
	<u>\$187,567,759</u>	<u>\$142,245,404</u>
Liabilities		
Accounts payable and accrued interest.....	\$ 2,814,037	\$ 1,908,468
Bank loan.....	—	—
Short-term promissory notes.....	12,358,599	22,839,798
Term notes.....	148,116,727	96,027,727
Long-term debentures.....	10,969,000	11,365,000
	<u>174,258,363</u>	<u>132,140,993</u>
Subordinated Debentures.....	1,949,000	1,994,000
Deferred income taxes.....	1,586,000	1,026,200
	<u>\$177,793,363</u>	<u>\$135,161,193</u>
Shareholders' Equity		
CAPITAL STOCK		
Authorized – 1,000,000 shares without nominal or par value		
Issued and fully paid – 512,445 shares (1975 – 393,070).....	\$ 7,573,681	\$ 5,424,931
RETAINED EARNINGS.....	<u>2,200,715</u>	<u>1,659,280</u>
	<u>9,774,396</u>	<u>7,084,211</u>
	<u>\$187,567,759</u>	<u>\$142,245,404</u>

Financial Highlights

Consolidated Statement of Earnings

	Three months ended April 30th		Six months ended April 30th		
	1976	1975	1976	1975	
INCOME					
Interest	\$4,779,847	\$3,271,606	\$9,208,974	\$6,378,694	13,670
Gain on redemption of debt	33,009	67,261	45,413	109,469	81,220
Other	14,419	17,657	59,592	54,071	82,500
	<u>4,827,275</u>	<u>3,356,524</u>	<u>9,313,979</u>	<u>6,542,234</u>	49,950
EXPENSES					
Interest	3,823,660	2,563,840	7,381,973	5,177,668	2.14
Other debt costs	113,886	97,913	232,601	190,276	1.10
Mortgage servicing fees	133,612	107,321	266,705	199,241	18.41
Salaries	49,682	40,514	93,895	76,225	
Capital tax	49,660	33,937	95,321	63,795	12,337
Other expenses	33,393	36,984	66,427	66,666	
	<u>4,213,893</u>	<u>2,880,509</u>	<u>8,136,922</u>	<u>5,773,871</u>	00,000
NET EARNINGS BEFORE INCOME TAXES	613,382	476,015	1,177,057	768,363	
PROVISION FOR INCOME TAXES	297,400	243,100	576,500	392,400	
NET EARNINGS	<u>\$ 315,982</u>	<u>\$ 232,915</u>	<u>\$ 600,557</u>	<u>\$ 375,963</u>	
Net earnings per share	64¢	59¢	\$1.26	98¢	
Average daily number of shares outstanding	495,370	393,070	478,133	384,406	

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Invest in the
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**TERM NOTES
OF**

Scotia Covenants 

1 Year	9½%
2 Years	9¾%
3 Years	9¾%
4 Years	10%
5-10 Years	10¼%

Rates subject to change

You may select one of the following bases for the payment of interest:

- Semi-annually at March 31 and September 30, minimum amount \$1,000
- at maturity, compounded semi-annually, minimum amount \$1,000
- monthly at ¼% below current rates, minimum \$5,000

For details and a prospectus see:

**THE BANK OF NOVA SCOTIA
GREENSHIELDS INCORPORATED
HOUSTON WILLOUGHBY AND
COMPANY LIMITED
SCOTIA BOND COMPANY LIMITED**



**1976
SECOND QUARTERLY
REPORT**

Scotia Covenants

Scotia Covenants Limited

Financial Highlights

	1976	1975
Operations		
Income	✓ \$ 20,335,778	✓ 14,313,670
Expenses	17,827,614	12,581,220
Income taxes	1,231,000	882,500
Net earnings	✓ 1,277,164	✓ 849,950
Per Share		
Net earnings	\$ ✓ 2.53	\$ ✓ 2.14
Dividends	1.20	1.10
Book value	19.59	18.41
Mortgages		
Balance outstanding	\$218,217,735	\$159,512,337
Credit Extended to the Company		
Total bank lines	\$ 40,000,000	30,000,000
Bank lines in use	—	—
Short-term notes outstanding	29,471,318	11,097,106
Term notes outstanding	165,434,227	127,459,727
Long-term debentures	10,744,000	11,142,000
Long-term subordinated debentures	1,912,000	1,986,000
Capital		
Common shares	\$ 8,877,993	\$ 6,652,531
Retained earnings	2,504,044	1,841,068
Total	11,382,037	8,493,599



Scotia Covenants Limited

Directors

R. T. M. Allan, Associate Treasurer
Sun Life Assurance Company of Canada, Montreal, Quebec

T. R. Alton, President and General Manager
Scotia Covenants Limited, Toronto, Ontario

W. E. Bailey, General Manager, Canadian Operations
The Bank of Nova Scotia, Toronto, Ontario

G. R. Blake, Vice-President and Treasurer
The Equitable Life Insurance Company of Canada, Waterloo, Ontario

J. E. Brookes, President
Greenguard Limited, Montreal, Quebec

D. H. Cochrane, Vice-President, Administration
Central and Eastern Trust Company, Halifax, Nova Scotia

M. T. Gerecke, Company Director, formerly Financial Vice-President, Real Estate
The Canada Life Assurance Company, Toronto, Ontario

D. M. Haines, Assistant Vice-President, Property Investments
Confederation Life Insurance Company, Toronto, Ontario

G. C. Hitchman, Deputy Chairman
The Bank of Nova Scotia, Toronto, Ontario

R. M. MacIntosh, Executive Vice-President
The Bank of Nova Scotia, Toronto, Ontario

R. L. Mason, Assistant General Manager, Investments
The Bank of Nova Scotia, Toronto, Ontario

J. H. McMeekin, Treasurer
The Imperial Life Assurance Company of Canada, Toronto, Ontario

L. D. McMurray, President
Investors Syndicate Realty Limited, Winnipeg, Manitoba

P. E. Reinhardt, Vice-President, Finance
Industrial Life Insurance Company, Quebec City, Quebec

T. F. D. Simmons, Treasurer
Alcan Aluminium Limited, Montreal, Quebec

R. E. Waugh, Supervisor, Investments
The Bank of Nova Scotia, Toronto, Ontario

Officers

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Chairman of the Board

G. C. Hitchman
Deputy Chairman of the Board

T. R. Alton
President and General Manager

J. P. McAvoy
Vice-President

R. C. Brown
Secretary

Suite 1410, 401 Bay Street,
Toronto, Ontario M5H 2Y4

President's Report to the Shareholders



T. R. Alton — President and General Manager

Scotia Covenants continued to grow and prosper in 1976, with net earnings up 50% to \$1,277,000 and earnings per share up 18% to \$2.53, after a 27% increase in the average number of shares outstanding. Interest rates during 1976 were relatively stable throughout most of the year but declined at year end. This stability was one of the prime factors in the growth in assets and increased earnings.

Equity Capital Base

In order to continue our objective of financing a rapidly growing portfolio of single family and other loans, it is necessary to increase the equity base

of the company. The shareholders of the company have contributed additional share capital in each of the past five years and retained earnings have been increased each year.

The shareholder's equity of the company in 1976 increased \$2,888,438, of which \$2,225,462 came from the issue of 119,823 shares and \$662,976 came from retained earnings. Subsequent to our year end, on January 31, 1977 an additional 31,825 shares were issued for \$604,675. We plan to issue further shares in 1977.

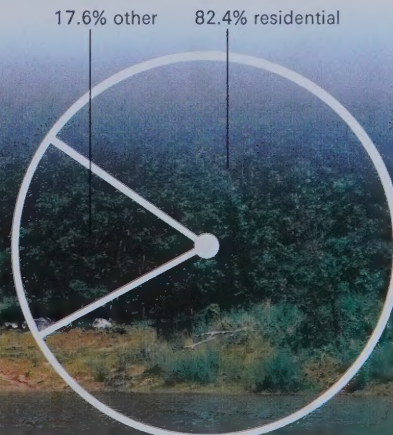
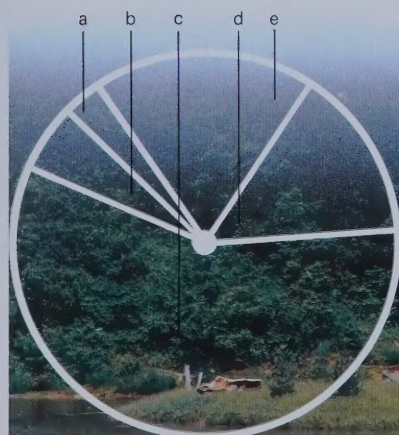
The shareholder's return on equity increased from 11.7% in 1975 to

Geographic Distribution

	Percentage of Portfolio
a Atlantic Provinces	3.1%
b Quebec	6.1%
c Ontario	57.6%
d Prairie Provinces	14.5%
e British Columbia and Yukon	18.7%
	<u>100.0%</u>

Type of Loan October 31, 1976

	Number of Loans	Amount	Percentage
Single Family	5,100	129,227	59.2%
Joint Loans	5,636	18,130	8.3%
1 Total Single Family	10,736	147,357	67.5%
2 Vacation	220	3,645	1.7%
3 Rental — Apartments and Townhouses	95	17,226	7.9%
4 Nursing Homes	16	11,610	5.3%
Total Residential	<u>11,067</u>	<u>179,838</u>	<u>82.4%</u>
5 Commercial and Industrial	202	35,830	16.4%
6 Unamortized Discounts and Accrued Interest		2,550	1.2%
Total Portfolio	<u>11,269</u>	<u>218,218</u>	<u>100.0%</u>



13.2% in 1976 based on the monthly average equity base of the company. Dividends for the year also increased from \$1.10 to \$1.20 in 1976 and represented a 47% payout of net earnings.

Mortgage Portfolio

Scotia Covenants continued its strong participation in the Canadian mortgage market with 97% of its assets invested in mortgages at the year end. Emphasis continues to be placed on the residential mortgages with 82% of our portfolio in this category. During the year, the company's mortgage portfolio increased \$59,000,000 or 37% to \$218,000,000. The portfolio was well spread across Canada in 11,269 loans and only .24 of 1% of loans were in arrears more than three months at year end.

Loan approvals during the year totaled \$83,000,000, of which \$70,000,000 was single family residential and the balance of \$13,000,000 was for commercial and industrial and other loans.

The company continues to endeavour to match the term of its assets with the term of its liabilities in order to fix a spread between the interest earned and the interest paid.

The following table indicates maturities at our year end date.

Maturity Dates	Mortgages	Debt
1977	\$ 20,801,000	\$ 58,689,000
1978	26,056,000	22,904,000
1979	38,346,000	14,515,000
1980	39,749,000	42,391,000
1981	65,063,000	51,866,000
Later	28,203,000	17,196,000
	<u>\$218,218,000</u>	<u>\$207,561,000</u>

During the year, the company entered into a joint venture with Morguard Trust Company to package blocks of mortgage loans for sale to institutional investors. A new company was formed, called MEC Limited, which acts as a mortgage exchange corporation. Loan packages are available for both NHA and MICC

insured single family loans for delivery in 30 to 60 days. These loan packages are attractive for institutional investors by providing an easy way to invest in the residential mortgage market. During the year, \$18.4 million of loans were sold to institutional investors and at the year end, \$3.8 million was held for sale.

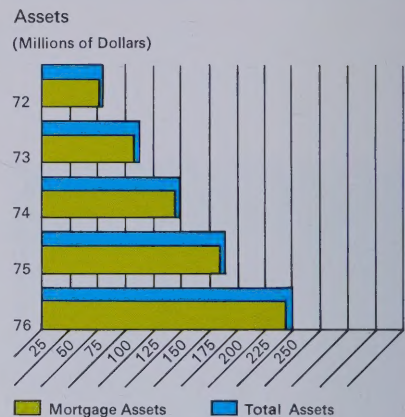
Conclusion

I would like to acknowledge the dedication and service of our employees and the counsel and advice of our Board of Directors, which together have kept the company in a strong and viable position. We look forward to continuing growth and prosperity.

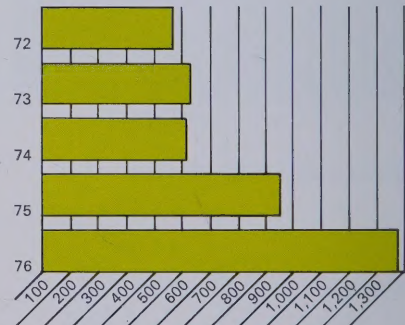
March 25, 1977

T. R. Alton,
President.

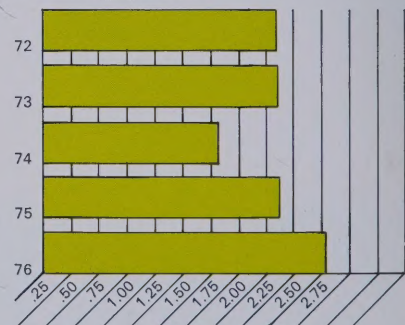
Five Year Growth



Net Earnings (In 000's of Dollars)



Net Earnings per Share



Consolidated Statement of Earnings

for the year ended October 31, 1976

	1976	1975
Income		
Interest –		
Mortgage loans	\$ 19,536,745	\$ 13,672,358
Short-term investments	469,806	300,309
Gain on redemption of debt	130,483	150,362
Leasing income	35,493	46,009
Other	163,251	144,632
	<u>\$ 20,335,778</u>	<u>\$ 14,313,670</u>
Expenses		
Interest –		
Debentures	\$ 887,952	\$ 929,928
Term notes	14,035,226	9,071,777
Bank advances	5,340	7,820
Short-term promissory notes	1,179,184	1,249,143
Amortization of debt discount and expense (note 1)	387,359	283,531
Trustees' fees for debentures	9,529	9,249
Bank charges	79,735	78,059
Short-term promissory note expense	33,387	35,610
Advertising	5,505	18,625
Mortgage servicing fees	544,601	427,928
Salaries	207,446	156,749
Office and general	165,538	99,403
Legal and audit	30,473	22,885
Capital and place of business taxes	218,233	161,279
Rent	30,472	21,134
Directors' fees (note 6)	7,634	8,100
	<u>\$ 17,827,614</u>	<u>\$ 12,581,220</u>
Earnings before Income Taxes	<u>\$ 2,508,164</u>	<u>\$ 1,732,450</u>
Provision for Income Taxes		
Current	\$ 829,000	478,000
Deferred	402,000	404,500
	<u>1,231,000</u>	<u>882,500</u>
Net Earnings for the Year	<u>\$ 1,277,164</u>	<u>\$ 849,950</u>
Earnings per Share (note 5)	<u>\$ 2.53</u>	<u>\$ 2.14</u>
Weighted Average daily number of Shares Outstanding	<u>504,689</u>	<u>397,369</u>

Consolidated Balance Sheet

As at October 31, 1976

	<u>1976</u>	<u>1975</u>
Assets		
Cash	\$ 175,506	\$ 43,883
Short-term investments – at cost, plus accrued interest, which approximates market	5,522,503	2,961,714
Insured mortgage loans – at amortized cost, plus interest due and accrued	218,217,735	159,512,337
Lease receivable	323,325	440,250
Unamortized debt discount and expense (note 1)	1,102,563	890,152

Signed on behalf of the Board

R. M. MacIntosh, Director

T. R. Alton, Director

\$225,341,632

\$163,848,336

	1976	1975
Liabilities		
Accounts payable and accrued interest	\$ 4,365,296	\$ 2,162,215
Income taxes payable	360,554	237,489
Short-term promissory notes	29,471,318	11,097,106
Term notes (note 2)	165,434,227	127,459,727
Sinking Fund debentures (note 3)	10,744,000	11,142,000
	<u>210,375,395</u>	<u>152,098,537</u>
Subordinated debentures (note 4)	1,912,000	1,986,000
Deferred income taxes (note 1)	1,672,200	1,270,200
	<u>\$213,959,595</u>	<u>\$155,354,737</u>
Shareholders' Equity		
Capital stock (note 5)		
Authorized –		
1,000,000 shares without nominal or par value		
Issued and fully paid –		
581,093 shares (1974 – 461,270 shares)	\$ 8,877,993	\$ 6,652,531
Retained earnings	2,504,044	1,841,068
	<u>11,382,037</u>	<u>8,493,599</u>
	<u>\$225,341,632</u>	<u>\$163,848,336</u>



Consolidated Statement of Retained Earnings

For the year ended October 31, 1976

	1976	1975
Retained Earnings Beginning of year	\$ 1,841,068	\$ 1,437,136
Net earnings for the year	<u>1,277,164</u>	<u>849,950</u>
	3,118,232	2,287,086
Dividends	<u>614,188</u>	<u>446,018</u>
Retained Earnings End of year	<u>\$ 2,504,044</u>	<u>\$ 1,841,068</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Scotia Covenants Limited and its subsidiary as at October 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of

accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with

generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants
November 19, 1976

Consolidated Statement of Changes in Financial Position

For the year ended October 31, 1976

	1976	1975
Source of Funds		
Net earnings	\$ 1,277,164	\$ 849,950
Items not requiring an outlay of funds —		
Amortization of debt discount and expense	387,359	283,531
Deferred income taxes	402,000	404,500
Funds provided from operations	2,066,523	1,537,981
Net increase in short-term promissory notes	18,374,212	—
Net increase in term notes	37,974,500	48,564,899
Change in other assets and liabilities — net	1,726,376	141,279
Decrease in lease receivable	116,925	106,055
Issue of shares	2,225,462	1,534,410
	<u>\$ 62,483,998</u>	<u>\$ 51,884,624</u>
Application of Funds		
Net decrease in short-term promissory notes	\$ —	\$ 10,234,965
Redemption and repayment of —		
Sinking fund debentures	398,000	802,000
Subordinated debentures	74,000	94,000
Dividends	614,188	446,018
Net increase in cash and short-term investments	2,692,412	626,092
	<u>3,778,600</u>	<u>12,203,075</u>
Increase in Insured Mortgage Loans	<u>\$ 58,705,398</u>	<u>\$ 39,681,549</u>



Notes to Consolidated Financial Statements

For the year ended October 31, 1976

1. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Central Covenants Limited, a wholly-owned subsidiary.

Unamortized debt discount and expense

Debt discount and expense are amortized on a straight-line basis over the original outstanding term of the related debt.

Deferred income taxes

Income taxes otherwise payable, relating to the period from incorporation to October 31, 1968, have been deferred in the amount of \$364,200 by claiming, for tax purposes, debt expenses in excess of amounts charged against earnings, and a mortgage reserve. This amount has not been provided for in the accounts.

2. Term Notes

The average interest cost on outstanding term notes for the year was 9.41% (1975 - 8.94%). Term notes are due as follows:

Year ending October 31,	1976	1975
1976	\$ —	\$ 22,603,000
1977	28,463,685	24,702,685
1978	22,689,042	19,984,042
1979	14,100,000	13,688,000
1980	41,946,000	40,391,000
1981	51,371,500	-2,600,000
1982	2,337,000	1,171,000
1983	689,000	324,000
1984	1,225,000	1,109,000
1985	1,006,000	887,000
1986	1,607,000	—
	<u>\$165,434,227</u>	<u>\$127,459,727</u>

3. Sinking Fund Debentures

The sinking fund debentures consist of:

	1976	1975
5½% Series A due March 1, 1985	\$ 3,820,000	\$ 4,045,000
6¼% due September 1, 1990	4,320,000	4,420,000
7¼% due February 15, 1977	700,000	735,000
7¼% due February 15, 1982	1,904,000	1,942,000
	<u>\$ 10,744,000</u>	<u>\$ 11,142,000</u>

The sinking fund debentures are redeemable in compliance with covenants of the relevant trust deeds.

The sinking fund provisions of the trust deeds relating to debentures require the following payments during the next five years:

1977	\$754,000
1978	215,000
1979	415,000
1980	445,000
1981	495,000

4. Subordinated Debentures

The 8% subordinated debentures due May 15, 1983 are subordinated to other sinking fund debentures, term notes and short-term promissory notes and bank borrowings. In addition to the fixed rate of interest of 8%, participating interest of 2% for a full year is payable on May 15, 1977. The debentures are redeemable at the option of the company at any time prior to maturity at annually reducing premiums. The debentures are not redeemable prior to maturity for the purpose of refunding at an interest rate of less than 10%.

5. Capital Stock

The maximum aggregate consideration of the authorized 1,000,000 shares without nominal or par value is \$15,000,000.

During the year the company issued 119,823 shares for a cash consideration of \$2,225,462.

Shareholders have subscribed for an additional 31,825 shares to be issued as required by the company for a cash consideration of \$604,675 on or before April 30, 1977.

If it were assumed that the 31,825 shares had been issued on March 8, 1976, fully diluted earnings per share would have been \$2.47.

6. Directors and Officers

The company has sixteen directors and five officers. Three of the officers are also directors. The aggregate remuneration of officers was \$73,708.

7. Anti-Inflation Act

The company is subject to restraint of profit margins, interest spread and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.



Scotia Covenants Limited

Ten Year Financial Summary

	1976	1975	1974	1973
Mortgage Loans				
Amount of loans outstanding	\$218,217,000	\$159,512,000	\$119,831,000	\$81,597,000
Amount of loan advances	85,791,000	48,472,000	44,598,000	37,530,000
Amount of loan repayments less tax advances	9,760,000	9,280,000	5,569,000	6,633,000
Sale of mortgage loans	18,437,000	—	995,000	804,000
Average amount of loan outstanding	19,364	16,615	13,440	10,140
Number of loans outstanding	11,269	9,600	8,817	8,047
Loans more than 3 months in arrears	.24%	.30%	.24%	.26%
Mortgage insurance claims — paid in full	8	1	—	2
Debt Outstanding	\$207,561,545	\$151,684,833	\$114,250,899	\$80,849,733
Shareholders' Equity	\$ 11,382,037	\$ 8,493,599	\$ 6,555,257	\$ 4,946,162
Net Earnings				
Gross income	\$ 20,335,778	\$ 14,313,670	\$ 10,201,584	\$ 6,452,354
Debt expense	16,617,712	11,665,117	8,477,946	4,945,879
General and administrative expense	1,209,902	916,103	665,329	450,706
Income taxes	1,231,000	882,500	549,000	534,000
Net operating earnings	1,277,164	849,950	509,309	521,769
Extraordinary item — loss on sale of mortgage, less income taxes	—	—	—	—
Net earnings	1,277,164	849,950	509,309	521,769
Per Share				
Net operating earnings	\$ 2.53	\$ 2.14	\$ 1.57	\$ 2.10
Extraordinary item	—	—	—	—
Net earnings	2.53	2.14	1.57	2.10
Dividend record	1.20	1.10	1.05	1.05
Book value	19.59	18.41	17.43	16.74

NOTE: Restatement has been made for 1968 and prior years on a pro forma basis to reflect the change in 1969, from the "taxes payable" method to the "tax allocation" method of accounting for income taxes.

1972	1971	1970	1969	1968	1967
\$51,265,000	\$34,778,000	\$32,398,000	\$34,301,000	\$31,140,000	\$25,504,000
24,100,000	8,931,000	1,972,000	5,542,000	6,647,000	6,299,000
4,851,000	3,566,000	3,065,000	1,297,000	1,048,000	735,000
2,968,000	2,988,000	800,000	1,098,000	—	—
5,952	3,990	3,174	3,014	3,027	3,024
8,613	8,716	10,206	11,015	10,289	8,434
.30%	.40%	.39%	.19%	.18%	.27%
10	8	3	1	7	7
\$48,809,522	\$34,864,122	\$30,192,555	\$31,828,005	\$29,162,509	\$23,697,379
\$ 3,386,761	\$ 3,204,709	\$ 2,992,878	\$ 2,968,495	\$ 2,900,853	\$ 2,551,459
\$ 4,261,117	\$ 3,165,300	\$ 3,231,115	\$ 3,057,661	\$ 2,535,189	\$ 1,816,886
3,057,896	2,133,180	2,526,687	2,367,267	1,896,869	1,336,014
318,885	286,539	293,554	310,858	265,051	218,351
425,100	381,000	212,960	194,800	188,400	126,500
459,236	364,581	197,914	184,736	184,869	136,021
—	—	32,161	40,284	—	—
459,236	364,581	165,753	144,452	184,869	136,021
\$ 2.08	\$ 1.72	\$.93	\$.87	\$.88	\$.66
—	—	.15	.19	—	—
2.08	1.72	.78	.68	.88	.66
1.01	.75	.41	.40	.35	.32½
15.19	14.88	13.97	13.85	13.78	12.42

